

**REPORT OF THE AUDIT OF THE
WOODFORD COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2002**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.kyauditor.net**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WOODFORD COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2002**

The Auditor of Public Accounts has completed the Woodford County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances decreased by \$6,526,978 from the beginning of the year, resulting in a cash surplus of \$2,023,128 as of June 30, 2002. The decrease is mainly due to the \$5,268,199 decrease in the Capital Projects Fund Type balance, caused by the large capital expenditures for the building of the Community Center.

Debt Obligations:

Total bonded debt principal as of June 30, 2002, was \$10,530,000. Future collections of \$17,327,936 are needed over the next twenty-seven years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$317,000 as of June 30, 2002. Future principal and interest payments of \$534,908 are needed to meet these obligations.

Report Comment:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Deposits:

The fiscal court's deposits were uninsured and unsecured by bank securities or bonds on August 31, 2001.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Joe D. Gormley, Woodford County Judge/Executive

Members of the Woodford County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Woodford County, Kentucky, as of June 30, 2002, the statement of cash receipts, cash disbursements, and changes in cash balances, the statement of cash receipts, cash disbursements, and changes in cash balances - proprietary fund, and the related statement of cash flows - proprietary fund for the year then ended. These financial statements are the responsibility of the Woodford County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Woodford County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity as of June 30, 2002, of Woodford County, Kentucky, and the revenues received and expenditures paid and the cash flows of its enterprise fund for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Joe D. Gormley, Woodford County Judge/Executive
Members of the Woodford County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2003, on our consideration of Woodford County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Woodford County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
December 17, 2003

WOODFORD COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

Fiscal Court Members:

Joe D. Gormley	County Judge/Executive
Carl Rollins	Magistrate
Charles Webber	Magistrate
Richard Alcock	Magistrate
Buddy McDannold	Magistrate
Tommy Turner	Magistrate
Jim Staples	Magistrate
Bobby Gaffney	Magistrate
Dudley Gaines, Jr.	Magistrate

Other Elected Officials:

Alan George	County Attorney
Gary Gilkison	Jailer
Corine Woolums	County Clerk
Trisha Kittinger	Circuit Court Clerk
John Coyle	Sheriff
Jim Owen Gains	Property Valuation Administrator
Steve Ward	Coroner

Appointed Personnel:

Merl Goldey	County Treasurer
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STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

WOODFORD COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 1,540,712	\$ 75,981	\$ 273,023	\$ 130,038
Total Assets	\$ 1,540,712	\$ 75,981	\$ 273,023	\$ 130,038
<u>Other Resources</u>				
Amounts to Be Provided in Future Years for:	\$	\$	\$	\$
Capital Lease				317,000
Bond Payments				10,399,962
Total Other Resources	\$ 0	\$ 0	\$ 0	\$ 10,716,962
Total Assets and Other Resources	\$ 1,540,712	\$ 75,981	\$ 273,023	\$ 10,847,000

The accompanying notes are an integral part of the financial statements.

WOODFORD COUNTY
 STATEMENT OF ASSETS, LIABILITIES,
 AND EQUITY ARISING FROM CASH TRANSACTIONS
 June 30, 2002
 (Continued)

Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
Enterprise	Trust and Agency	
\$ 14,613	\$ 1,645	\$ 2,036,012
\$ 14,613	\$ 1,645	\$ 2,036,012
\$	\$	\$
		317,000
		10,399,962
\$ 0	\$ 0	\$ 10,716,962
\$ 14,613	\$ 1,645	\$ 12,752,974

The accompanying notes are an integral part of the financial statements.

WOODFORD COUNTY
 STATEMENT OF ASSETS, LIABILITIES,
 AND EQUITY ARISING FROM CASH TRANSACTIONS
 June 30, 2002
 (Continued)

	General	Special Revenue	Capital Projects	Debt Service
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Capital Lease (Note 5)	\$	\$	\$	\$ 317,000
Bonds:				
Series 1968 (Note 4A)				190,000
Series 1993 (Note 4B)				2,185,000
Series 1997 (Note 4C)				3,460,000
Community Center (Note 4D)				4,695,000
Payroll Liabilities	2,003			
Assets Held in Custody for Others				
Total Liabilities	\$ 2,003	\$ 0	\$ 0	\$ 10,847,000
<u>Equity</u>				
Retained Earnings	\$	\$	\$	\$
Fund Balances:				
Reserved		75,981	273,023	
Unreserved	1,538,709			
Total Equity	\$ 1,538,709	\$ 75,981	\$ 273,023	\$ 0
Total Liabilities and Equity	\$ 1,540,712	\$ 75,981	\$ 273,023	\$ 10,847,000

The accompanying notes are an integral part of the financial statements.

WOODFORD COUNTY
 STATEMENT OF ASSETS, LIABILITIES,
 AND EQUITY ARISING FROM CASH TRANSACTIONS
 June 30, 2002
 (Continued)

Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
Enterprise	Trust and Agency	
\$	\$	\$ 317,000
		190,000
		2,185,000
		3,460,000
		4,695,000
		2,003
	1,645	1,645
\$ 0	\$ 1,645	\$ 10,850,648
\$ 14,613	\$	\$ 14,613
		349,004
		1,538,709
\$ 14,613	\$ 0	\$ 1,902,326
\$ 14,613	\$ 1,645	\$ 12,752,974

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

WOODFORD COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	<u>General Fund Type</u>		
	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Jail Fund</u>
<u>Cash Receipts</u>			
Schedule of Operating Revenue	\$ 7,957,119	\$ 817,687	\$ 578,800
Other Financing Sources:			
Transfers In		800,000	550,000
Total Cash Receipts	<u>\$ 7,957,119</u>	<u>\$ 1,617,687</u>	<u>\$ 1,128,800</u>
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 7,258,508	\$ 1,610,905	\$ 1,107,841
Public Properties Corporation			
Community Center Bond Fund-			
Construction Expenditures			
Other Financing Uses:			
Transfers Out	1,835,209		
Bonds:			
Principal Paid			
Interest Paid			
Kentucky Association of Counties			
Leasing Trust - Principal Payment	11,000		
Total Cash Disbursements	<u>\$ 9,104,717</u>	<u>\$ 1,610,905</u>	<u>\$ 1,107,841</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (1,147,598)	\$ 6,782	\$ 20,959
Cash Balance - July 1, 2001	<u>2,612,918</u>	<u>12,116</u>	<u>5,161</u>
Cash Balance - June 30, 2002	<u><u>\$ 1,465,320</u></u>	<u><u>\$ 18,898</u></u>	<u><u>\$ 26,120</u></u>

The accompanying notes are an integral part of the financial statements.

WOODFORD COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
For The Fiscal Year Ended June 30, 2002
(Continued)

General Fund Type	Special Revenue Fund Type		Capital Projects Fund Type	Debt Service Fund Type
			Public Properties Corporation	Public Properties Corporation Courthouse Bond Fund
Local Government Economic Assistance Fund	State Grant Fund	Federal Grant Fund	Community Center Construction Account	
\$ 24,092	\$ 58,464	\$ 43,458	\$ 607,634	\$
				73,500
\$ 24,092	\$ 58,464	\$ 43,458	\$ 607,634	\$ 73,500
\$	\$ 218,475	\$ 41,884	\$	\$
			5,875,833	
				60,000
				12,690
\$ 0	\$ 218,475	\$ 41,884	\$ 5,875,833	\$ 72,690
\$ 24,092 4,279	\$ (160,011) 220,663	\$ 1,574 13,755	\$ (5,268,199) 5,541,222	\$ 810 34,221
\$ 28,371	\$ 60,652	\$ 15,329	\$ 273,023	\$ 35,031

The accompanying notes are an integral part of the financial statements.

WOODFORD COUNTY
 STATEMENT OF CASH RECEIPTS,
 CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
 For The Fiscal Year Ended June 30, 2002
 (Continued)

Debt Service Fund Type			
Public Properties Corporation Jail Bond Fund 1993 Series	Public Properties Corporation		Totals (Memorandum Only)
	Courthouse Annex Annex Bond Fund	Community Center Bond Fund	
	Sinking Fund Account	Sinking Fund Account	
\$	\$ 227,160	\$ 206,152	\$ 10,520,566
205,615		206,094	1,835,209
<u>\$ 205,615</u>	<u>\$ 227,160</u>	<u>\$ 412,246</u>	<u>\$ 12,355,775</u>
\$	\$	\$	\$ 10,237,613
			5,875,833
			1,835,209
85,000	60,000	150,000	355,000
120,360	178,236	262,189	573,475
			11,000
<u>\$ 205,360</u>	<u>\$ 238,236</u>	<u>\$ 412,189</u>	<u>\$ 18,888,130</u>
\$ 255	\$ (11,076)	\$ 57	\$ (6,532,355)
	104,026	1,745	8,550,106
<u>\$ 255</u>	<u>\$ 92,950</u>	<u>\$ 1,802</u>	<u>\$ 2,017,751</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE

WOODFORD COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - PROPRIETARY FUND

For The Fiscal Year Ended June 30, 2002

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
<u>Cash Receipts</u>	
Receipts - Jail Canteen	<u>\$ 29,853</u>
Total Cash Receipts	<u>\$ 29,853</u>
<u>Cash Disbursements</u>	
Expenditures - Jail Canteen	<u>\$ 20,861</u>
Total Cash Disbursements	<u>\$ 20,861</u>
Excess of Cash Receipts Over Cash Disbursements	\$ 8,992
Cash Balance - July 1, 2001	<u>\$ 5,621</u>
Cash Balance - June 30, 2002	<u><u>\$ 14,613</u></u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

WOODFORD COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For The Fiscal Year Ended June 30, 2002

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Cash Flows from Operating Activities:	
Cash Received from Inmates for Canteen Purchases	\$ 29,853
Cash Paid to Suppliers	(19,081)
Cash Paid for Other Expenses	(1,780)
Net Cash Provided by Operating Activities	<u>\$ 8,992</u>
 Net Increase in Cash	 \$ 8,992
 Cash and Cash Equivalents - July 1, 2001	 <u>5,621</u>
Cash and Cash Equivalents - June 30, 2002	<u><u>\$ 14,613</u></u>

The accompanying notes are an integral part of the financial statements.

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Woodford County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Public Properties Corporation Courthouse Bond Fund, Public Properties Corporation Jail Bond Fund, Public Properties Corporation Courthouse Annex Bond Fund and the Public Properties Corporation Community Center Bond Fund as part of the reporting entity.

The Public Properties Corporation Courthouse Bond Fund, Public Properties Corporation Jail Bond Fund, Public Properties Corporation Courthouse Annex Bond Fund and Public Properties Corporation Community Center Bond Fund cannot be sued in their own name without recourse to the Woodford County Fiscal Court, which appoints a voting majority, consisting of the fiscal court members. The fiscal court is able to impose its will on the Corporation. The Corporation is created solely for the benefit of the fiscal court per KRS 58.180 to act as the agent in the acquisition and financing of any public project. The fiscal court has access to the Corporation's resources, is legally obligated to finance the debts of or provide financial support to the Corporation. The Corporation is financially accountable to the fiscal court. These component units are blended within the financial statements of the county.

Additional - Woodford County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Woodford County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Woodford County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Woodford County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and the Local Government Economic Assistance Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Woodford County Special Revenue Fund Type includes the following county funds: State Grant Fund and the Federal Grant Fund.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Public Properties Corporation Courthouse Bond Fund, Public Properties Corporation Jail Bond Fund, Public Properties Corporation Courthouse Annex Bond Fund Sinking Fund Account and the Public Properties Corporation Community Center Bond Fund Sinking Fund Account. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

4) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Public Properties Corporation Community Center Construction Fund of the Fiscal Court is reported as a Capital Projects fund type.

5) Enterprise Fund

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Woodford County Enterprise Fund Type includes the jail canteen account, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Woodford County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Capital Projects Fund Type and Debt Service Fund Type because bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund Type/Special Revenue Fund Type to comply with these requirements. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

For the purpose of the statement of cash flows, the county considers all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

WOODFORD COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2002
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Woodford County Fiscal Court:

Woodford County Hospital District	South Woodford County Water District
Northeast Woodford County Water District	Woodford County Library District
Woodford County Tourism Commission	Woodford County Conservation District
Woodford County Health District	

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following are considered joint ventures of Woodford County Fiscal Court:

Versailles-Woodford County Parks and Recreation Department
 Versailles-Woodford County Economic Development Authority
 Versailles, Midway and Woodford County Planning and Zoning Commission

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of August 31, 2001, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$341,476 of public funds uninsured and unsecured.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of August 31, 2001.

	<u>Bank Balance</u>
Insured by FDIC	\$ 300,000
Collateralized with securities held by pledging depository institution in the county's name	6,840,326
Uncollateralized and uninsured	<u>341,476</u>
Total	<u><u>\$ 7,481,802</u></u>

Note 4. Long-Term Debt

A. Bonds outstanding of the Woodford County Public Properties Corporation Courthouse Bond Fund are:

\$250,000 of 5.35% and 5.40% non-voted general obligation courthouse bonds, series 1968, dated July 1, 1968; interest payable semiannually on January 1 and July 1.

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 10,260	\$ 60,000
2004	7,020	65,000
2005	<u>3,510</u>	<u>65,000</u>
Totals	<u><u>\$ 20,790</u></u>	<u><u>\$ 190,000</u></u>

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 4. Long-Term Debt (Continued)

B. Bonds outstanding of the Woodford County Public Properties Corporation Jail Bond Fund are:

\$2,270,000 of non-voted public project refunding revenue bond, 1993 Series A, dated July 1, 1993; interest payable semiannually May 1 and November 1.

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 116,705	\$ 85,000
2004	112,525	90,000
2005	107,968	95,000
2006	102,915	105,000
2007	97,481	105,000
2008-2012	390,269	640,000
2013-2017	183,400	860,000
2018	5,740	205,000
Totals	<u>\$ 1,117,003</u>	<u>\$ 2,185,000</u>

C. Bonds outstanding of the Woodford County Public Properties Corporation Courthouse Annex Bond Fund are:

\$3,460,000 in lease revenue bonds, Series 1997, dated November 1, 1997 to be used in the financing and construction of a courthouse annex. The following schedule sets forth Woodford County's annual debt service of the bonds.

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 175,746	\$ 65,000
2004	172,984	65,000
2005	170,156	70,000
2006	167,041	75,000
2007	163,366	75,000
2008-2012	756,760	445,000
2013-2017	634,516	565,000
2018-2022	473,606	725,000
2023-2027	265,460	930,000
2028-2029	35,100	445,000
Totals	<u>\$ 3,014,735</u>	<u>\$ 3,460,000</u>

In accordance with a sublease agreement between AOC and the Woodford County Fiscal Court, AOC committed itself to participate in providing part of the costs of constructing a courthouse annex through use allowance payments.

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 4. Long-Term Debt (Continued)

D. Bonds outstanding of the Woodford County Public Properties Corporation Community Center Bond Fund are:

\$4,845,000 of 5.375% and 5.45% non-voted general obligation courthouse bonds, series 2000, dated February 15, 2000; interest payable semiannually on August 1 and February 1.

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Interest and Fees</u>	<u>Scheduled Principal</u>
2003	\$ 254,126	\$ 160,000
2004	245,526	170,000
2005	236,389	180,000
2006	226,714	190,000
2007	216,501	200,000
2008-2012	910,238	1,165,000
2013-2017	561,147	1,505,000
2018-2020	124,805	1,125,000
	<u>\$ 2,775,446</u>	<u>\$ 4,695,000</u>

Note 5. Capital Lease Agreement

On December 8, 1994, the County entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the construction of a Conservation District Building, with the repayment to be made over a twenty-five year period. Principal payments are due annually on January 20, in variable amounts; interest plus associated fees is due monthly in variable amounts. The balance as of June 30, 2002 is \$317,000.

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Interest and Fees</u>	<u>Scheduled Principal</u>
2003	\$ 21,757	\$ 12,000
2004	20,920	12,000
2005	20,054	13,000
2006	19,118	14,000
2007	18,113	15,000
2008-2012	73,887	85,000
2013-2017	39,910	112,000
2018-2019	4,149	54,000
	<u>\$ 217,908</u>	<u>\$ 317,000</u>

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 6. Commitments and Contingencies

The Economic Development Authority has a loan of \$5,000,000 dated December 11, 2001, of which only \$2,239,482 has been drawn through June 30, 2002. The loan is secured by Woodford County, City of Midway and real estate. The fiscal court agreed to pay half the interest on the loan and expects to be reimbursed when the industrial park is sold.

Note 7. Insurance

For the fiscal year ended June 30, 2002, Woodford County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Subsequent Event

On November 10, 2003, the available amount of credit on the Economic Development Authority loan was increased to \$6,300,000. The outstanding balance as of June 30, 2003 was \$4,311,507.

Note 9. Jail Inmate Fund

Presentation of Changes in Assets and Liabilities is required for Trust and Agency Funds. The Jail Inmate Account is presented as a Trust and Agency Fund; therefore, presentation of this information is required.

<u>Jail Inmate Account</u>	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2002</u>
Assets:				
Cash With Fiscal Agents	<u>\$ 5,260</u>	<u>\$ 175,589</u>	<u>\$ 179,204</u>	<u>\$ 1,645</u>
Total Assets	<u><u>\$ 5,260</u></u>	<u><u>\$ 175,589</u></u>	<u><u>\$ 179,204</u></u>	<u><u>\$ 1,645</u></u>
Liabilities:				
Accounts Held In				
Custody For Others	<u>\$ 5,260</u>	<u>\$ 175,589</u>	<u>\$ 179,204</u>	<u>\$ 1,645</u>
Total Cash Disbursements	<u><u>\$ 5,260</u></u>	<u><u>\$ 175,589</u></u>	<u><u>\$ 179,204</u></u>	<u><u>\$ 1,645</u></u>

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

WOODFORD COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 5,973,230	\$ 7,957,119	\$ 1,983,889
Road and Bridge Fund	1,989,555	817,687	(1,171,868)
Jail Fund	1,233,297	578,800	(654,497)
Local Government Economic Assistance Fund	18,000	24,092	6,092
<u>Special Revenue Fund Type</u>			
State Grant Fund	389,408	58,464	(330,944)
Federal Grant Fund	441,900	43,458	(398,442)
Totals	<u>\$ 10,045,390</u>	<u>\$ 9,479,620</u>	<u>\$ (565,770)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 10,045,390
Add: Budgeted Prior Year Surplus	3,000,000
Less: Other Financing Uses	<u>(513,187)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 12,532,203</u>

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SCHEDULE OF OPERATING REVENUE

WOODFORD COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

Revenue Categories	GOVERNMENTAL FUND TYPES				
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Capital Projects Fund Type	Debt Service Fund Type
Taxes	\$ 5,943,754	\$ 5,943,754	\$	\$	\$
Licenses and Permits	28,510	28,510			
Intergovernmental Revenues	3,707,907	2,570,996	101,922	607,634	427,355
Charges for Services	561,037	561,037			
Miscellaneous Revenues	167,823	167,823			
Interest Earned	111,535	105,578			5,957
Total Operating Revenue	<u>\$ 10,520,566</u>	<u>\$ 9,377,698</u>	<u>\$ 101,922</u>	<u>\$ 607,634</u>	<u>\$ 433,312</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

WOODFORD COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 3,278,544	\$ 1,934,264	\$ 1,344,280
Protection to Persons and Property	2,122,959	2,887,986	(765,027)
General Health and Sanitation	1,498,763	1,332,325	166,438
Social Services	143,889	133,442	10,447
Recreation and Culture	741,470	702,760	38,710
Roads	1,880,555	1,510,433	370,122
Bus Services	32,500	23,422	9,078
Debt Service	19,321	19,320	1
Capital Projects	100,000		100,000
Administration	1,882,894	1,433,302	449,592
 Total Operating Budget - General Fund Type	 \$ 11,700,895	 \$ 9,977,254	 \$ 1,723,641
Other Financing Uses:			
Transfers to Public Properties			
Corporation Community Center			
Bond Fund	206,095	206,094	1
Transfers to Public Properties			
Courthouse Annex Bond Fund	16,977		16,977
Transfers to Public Properties			
Corporation Courthouse Bond Fund	73,500	73,500	
Transfers to Public Properties			
Corporation Jail Bond Fund	205,615	205,615	
Lease Agreement-			
Conservation District Building-			
Principal on Lease	11,000	11,000	
 TOTAL BUDGET - GENERAL FUND TYPE	 \$ 12,214,082	 \$ 10,473,463	 \$ 1,740,619

WOODFORD COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 For The Fiscal Year Ended June 30, 2002
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 2,970	\$ 2,970	\$
Protection to Persons and Property	48,525	48,524	1
Recreation and Culture	371,878	200,945	170,933
Capital Projects	400,000		400,000
Administration	7,935	7,920	15
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 831,308</u>	<u>\$ 260,359</u>	<u>\$ 570,949</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Joe D. Gormley, Woodford County Judge/Executive
Members of the Woodford County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Woodford County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated December 17, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Woodford County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Woodford County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, cursive script.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
December 17, 2003

COMMENT AND RECOMMENDATION

WOODFORD COUNTY
COMMENT AND RECOMMENDATION

For The Fiscal Year Ended June 30, 2002

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On August 31, 2001, \$341,476 of the county's deposits of public funds in depository institutions was uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the county require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Judge/Executive Joe D. Gormley's Response:

Will check with United Bank.

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CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

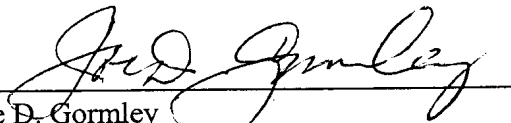
WOODFORD COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2002

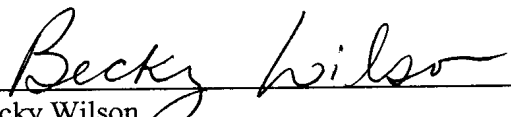
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
WOODFORD COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2002

The Woodford County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Joe D. Gormley
Woodford County Judge/Executive



Becky Wilson
Woodford County Treasurer

